

EAST GERMAN MONETARY STABILITY1. Currency Stability

After a period of stability in late May and June, at which time 3.86 East Marks were equivalent to 1 West Mark, a gradual decline occurred. On 28 July the rate of exchange dropped to 4.24 East Marks to 1 West Mark. This is the lowest East Mark value since 31 March 1952.

2. Monetary Reform

There has been no indication of an impending monetary reform, of changes in banking, nor of investment policy.

3. Taxation

A Manchester Guardian article, comparing the tax scales of East and West Germany, reports that the lower income brackets in East Germany paid more taxes than the West Germans of similar brackets, while the higher paid East Germans paid less than their West zone counterparts during 1951.

Since the beginning of the new drive towards socialization, initiated by the SED conference of 12 July, there have been reports that taxation is being used as a weapon to force farmers into collectives. A directive published on 20 July declared that farmers who joined collectives would have their taxes cut 25%.

4. Changes in the wage scale

At a meeting of the FDGB (East German Trade Union) central executive on 31 July, Chairman Herbert WARNKE proposed several ideas to further the "building of Socialism" in the DDR. Among other things, he proposed the grading of individual workers according to their performance. The incentive for increased production would be the attraction of added wages.

The East German News Agency, in discussing this proposal, stated that the leveling tendencies of the trade unions would be abolished. "Only a correct differentiation between skilled and unskilled, light and heavy work will give the workers the necessary incentive for acquiring skills without which the building of Socialism is impossible."

This policy, however, is unlikely to have an inflationary effect because of the Communist practice of constantly raising the work norm which, in turn, offsets any pay increases.

5. Cost of Living and Rationing

In spite of increased overall production, consumer goods are still scarce and of poor quality. Rationed goods are cheap but not easily obtained, except by the worker in his factory and the child in school. Most people buy through the state monopoly HO stores, where goods are plentiful and unrationed but also very expensive. Margarine, for example, costs 4.00 marks in East Berlin, 0.90 marks in West Berlin. Men's shoes of synthetic make cost 45.00 marks in East Berlin; whereas leather shoes cost 25.00 marks in West Berlin. The East zone is cheap for West Germans who exchange their West marks at a very favorable rate, but expensive for the East German inhabitant.

6. Condition of Crops

Indications are that the current crops are in good condition. The harvests are expected to be plentiful.

Conclusions

These economic conditions, calling for a monetary reform, have existed since the first of the year. The exact timing of such a reform, however, is a political decision.

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reports may have influenced the East German government in this matter last spring.

Although there are no indications at the present time that a reform is imminent, one could be announced without warning at any time.

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